The rating of a car and the value of an auto manufacturer's brand are dependent on the customer's appraisal of quality. A company can reinforce its brand by continually providing the value customers expect, but failing to meet expectations even once makes it harder to maintain a platform for providing new value to those customers.

NISSAN MOTOR CORPORATION SUSTAINABILITY REPORT 2015

INTRODUCTION

SAFETY

CONTENTS

ENVIRONMENT

QUALIT

Mobility needs are rising in the face of structural changes in the global economy, engendered by increased urbanization in countries around the world. Nissan is expanding production to fulfill its mission of offering people worldwide the rich benefits of mobility. At the same time, it believes that automakers have an important responsibility to constantly offer customers the kind of quality with which they will be satisfied.

WORKING TOWARD A SUSTAINABLE

MOBILITY SOCIETY

QUALITY

BLUE CITIZENSHIP: NISSAN'S CSR

VALUE CHAIN

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INTERNAL CONTROL

CEO MESSAGE

PHILANTHROPY

Nissan aims to be a company trusted by its customers by addressing quality as a companywide issue. The company seeks to provide top-level quality to customers at every stage, from the planning of new vehicles through development, manufacturing, distribution and sales to after-sales service. Nissan's basic stance and production processes are also shared throughout the company's global value chain. Customer feedback received by Nissan's customer call center (Japan):

200,000 customer inquiries

ENVIRONMENT SAFETY PHILANTHROPY QUALITY VALUE CHAIN EMPLOYEES ECONOMIC CONTRIBUTION COPPORATE GOVERNANCE &	CONTENTS	INTRODUCTION	CEO MESSAGE	WORKING TOWARD A SUSTAINABLE MOBILITY SOCIETY	BLUE CITIZENSHIP: NISSAN'S CSR	RENAULT-NISSAN ALLIANCE	CSR DATA	THIRD-PARTY ASSURANCE
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# QUALITY

# SCORECARD

# FY2014 TARGET ACHIEVEMENT RATE: VV ACHIEVED V MOSTLY ACHIEVED × NOT ACHIEVED

Nissan makes year-round use of the CSR scorecard as a fundamental tool to manage, review and validate its progress in each of the sustainability strategies defined for its CSR activities. The table below shows some of the values behind Nissan's ongoing activities and the indices used in the scorecard to gauge the company's performance.

Nissan Priorities	Nissan Objectives	Indicators of P	rogress	FY2013 Results	FY2014 Results	Assessment	Action Planned for Next Year Onward	Long-Term Vision
Product quality		Achievement of high scores in	North America: Consumer Reports and J.D. Power IQS/VDS	<ul> <li>U.S.: 10 models were recommended in Consumer Reports</li> <li>U.S.: Murano and Infiniti FX took the top spots, while Juke, Z and Infiniti G37 ranked in the top 3 in the J.D. Power IQS segment</li> </ul>	U.S.: 7 models were recommended in Consumer Reports     U.S.: Juke, Infiniti QX80 and Infiniti QX60 took the top spots, while Murano, Z, Maxima, Frontier and Infiniti QX70 ranked in the top 3 in the J.D. Power IQS segment	V		Strive for the top level in quality from the customer's perspective
			In Europe: U.K.: What Car? Germany: ADAC Italy: Quattroruote	U.K.: Qashqai and Note earned 4 stars and Juke earned 3 stars in What Car?	U.K.: Note earned 4 stars while Oashqai and Juke earned 3 stars in What Car?	~	Further strengthen quality improvement	
			In other regions: China: J.D. Power IQS/ VDS South Africa: Ipsos PSI Brazil: <i>Quatro Rodas</i> India: J.D. Power IQS	<ul> <li>South Africa: NP200 ranked 1st, Micra, Qashqai and X-Trail ranked 3rd in each Ipsos PSI segment</li> <li>India: Micra ranked 2nd in its segment in J.D. Power IQS</li> <li>China: Sylphy ranked 2nd in its segment in J.D. Power IQS</li> </ul>	<ul> <li>South Africa: NP200 and Micra ranked 1st, and Navara ranked 2nd in each Ipsos PSI segment</li> <li>India: Terrano 3rd in its segment in J.D. Power IQS</li> <li>China: Sylphy ranked 2nd in its segment in J.D. Power IQS</li> </ul>	V	activities for new and existing models under the leadership of the newly appointed Excecutive Vice President for quality	
			Japan: J.D. Power IQS	<ul> <li>Japan: X-Trail ranked 3rd in its segment in J.D. Power IQS</li> </ul>	<ul> <li>Japan: DAYZ ROOX and Nissan LEAF ranked 2nd in each segment in J.D. Power IQS</li> </ul>	V		
Sales and service quality	Achieve Top-Level Quality in all focus markets by FY2016		North America & Asia: J.D. Power SSI/CSI Europe: GfK SSI and TNS CSI Mexico & Brazil: Ipsos SSI/CSI	Maintained Top-Level Quality in Japan, China and Mexico and implemented <i>kaizen</i> actions in the U.S. and other major markets	Maintained Top-Level Quality in Japan, China and Mexico; implemented <i>kaizen</i> actions in ASEAN and India—where levels were below industry average—and other major markets with the goal of attaining Top-Level Quality	V	Systemize and standardize best practices in countries that have already attained Top-Level Quality to raise quality levels in other countries	Maintain Top-Level Quality for sales and service





### **NISSAN'S APPROACH TO QUALITY**

There are many aspects to quality. Nissan seeks to provide high quality at all stages of the customer experience. To achieve this, Nissan pursues effective companywide cooperation at the crossfunctional and cross-regional levels.

In 2011 Nissan announced its "Enhancing Quality" program, spelling out clear quality-related goals and methods that are to be achieved by fiscal 2016. Nissan aims to be recognized by customers as a brand with top-level quality. The company is working on both product quality and sales and service quality with the aim of reaching the top level in every region globally.

Click here for more information on "Enhancing Quality."
 website

The product quality of a vehicle is fundamental for a customer to use it safely and comfortably over the long term. Nissan aims to provide a high level of quality that meets customer expectations during the entire lifecycle of a vehicle. This includes the perceived quality when a customer opens the vehicle door in the showroom, sits in the seat and takes a test drive; the initial quality in the first year after purchase; and the durability that remains even after many years of use.

Nissan also conducts initiatives to increase customer satisfaction in the area of sales and service quality. The company aims to exceed expectations at every customer contact point, from visiting dealerships, purchasing a car and receiving maintenance to when the customer decides to replace the car.

Nissan listens to customers and reflects their feedback in every process throughout the company in its pursuit of customer satisfaction.

## COMPANY ORGANIZATION FOR QUALITY

Nissan recently established an executive post with responsibility for leading the companywide effort to achieve the goals of the "Enhancing Quality" program by the target date of fiscal 2016. This has significantly raised the focus on quality within the company and is leading to changes in employee perceptions as well.

The company also created forums to discuss specific issues under executive leadership, including the Quality Management Committee, the MarCom and Sales Executive Meeting, and the Sales & Service and Monozukuri Collaboration Committee. These teams conduct regular meetings.

#### LISTENING TO CUSTOMER FEEDBACK

Quality is a means of displaying how successfully Nissan interacts with its customers. The aim is to provide the value that customers expect and to respond rapidly if they are not satisfied. The company listens to all feedback, reflecting it in measures to improve quality at every stage—from vehicle design and development to after-sales service.

Employees who buy Nissan vehicles are also customers and important stakeholders. The company actively seeks their views on quality for incorporation in improvement initiatives.

#### Rapid Response to Customer Feedback

Nissan responds to customer comments and questions worldwide through a range of methods, such as points of contact at dealers, call centers and surveys.

Nissan's customer call center in Japan annually receives approximately 200,000 cases of comments and questions from customers. All catalogs, instruction manuals and similar materials published in the last 50 years have been converted into PDF files for easy searching, letting operators address customer concerns as quickly as possible. Operators also have access to a database of frequently asked questions and their answers, organized by vehicle models, keywords and categories.

For quality purposes, Nissan also positions its employees as customers of the company. The "Quality Listening Box," on the company intranet since 2013, lets employees actively contribute information to raise the quality of products and services.



#### **Reflecting Customer Feedback in Products and Services**

Nissan has implemented a system for reflecting customer feedback in its products and services, putting this to work through reliable information sharing among all functions, including product planning, R&D, manufacturing and sales.

Opinions and comments received by the customer call center in Japan are shared companywide on the intranet, where employees can access and view the database at any time.

Additionally, important cases are discussed in executive-led committees, whose decisions are applied to Nissan's products and services.

#### **Developing a CS Mindset**

To improve quality across the company, all employees must consider the customer's perspective and keep customer satisfaction (CS) in mind as they work.

In Japan, Nissan holds CS training for employees in their third year and newly appointed managers. The training covers quality policy in the Nissan Group and quality improvement measures, incorporating actual feedback from customers in group discussions. Nissan lets employees discuss what the company can do for customers and what action is necessary in the current situation, thus fostering a quality-improvement mindset rooted in CS among individual employees. The company is expanding its measures to overseas sites with the aim of cultivating this mindset globally.

The company has held the Nissan Quality Forum for employees and suppliers from 2003. This forum uses information displays, video presentations and actual vehicles and parts to showcase Nissan's latest status on quality, customer feedback and activities aimed at meeting targets. The forum is organized continuously and cross-functionally by the Total Customer Satisfaction Function (TCSX) and the R&D, manufacturing, sales/service and other divisions in order to raise awareness of CS and quality-improvement issues of all employees. The forum takes place in Japan, the United States, the United Kingdom, Russia, China, Thailand and other locations around the world.

The TCSX targets an overall increase in customer satisfaction with the goal of gaining a thorough understanding of customer dissatisfaction and making necessary improvements.

#### **PRODUCT QUALITY**

Product quality is a basic feature in allowing customers to use a vehicle safely and comfortably over the long term. For Nissan, a leading automaker with a strong level of *monozukuri*, Japan's tradition of careful craftsmanship, the product quality of its vehicles is the foundation for its sustainability as a company. Nissan considers quality from the customer's perspective at all times and responds quickly in case a defect occurs, making efforts to prevent a recurrence so as not to inconvenience the customer. The company ascertains customer dissatisfaction and addresses it through all possible means. Product quality is being improved to increase customers' satisfaction.

Within product quality, Nissan includes perceived quality, initial quality and durability. Quality improvement efforts target the entire lifecycle of a vehicle, from planning and design to R&D, manufacturing, distribution, sales and after-sales service. Nissan monitors the results of third-party quality surveys for use as internal indices and makes improvements throughout the PDCA (plan, do, check, act) cycle.

### Product Quality Assessments by External Bodies

Nissan uses the results of third-party quality surveys → as internal indices, applying them in improving the manufacturing of its vehicles. The company has set high-level indices and is striving to achieve them in each of the regions in which it operates.

 Click here for more information on product quality survey results in the CSR scorecard.

# Perceived Quality

Perceived quality is the quality that customers feel when seeing, touching and operating a vehicle. For example, when customers come to the showroom they open the vehicle doors, sit in the seats and check things like the texture of interior fittings.

The feeling of quality is a subjective matter, and fixing quantified criteria requires very careful investigation. To define criteria for quality evaluation from the customer's point of view, Nissan evaluates cars using the opinions of numerous employee product monitors and specialists with in-house training. The company also surveys customers who have purchased or are considering purchasing a Nissan car.

The company is now expanding the surveys' geographic coverage to gain a better understanding of customers' perceptions in different markets around the world while reflecting those perceptions in new vehicles from the development stage. Nissan scientifically measures and analyzes customer perceptions to gain a quantitative grasp of what makes people feel good.

This information shapes the company's specific design targets.



### Improving Initial Quality

Initial quality issues involve defects that occur within a year of a new car purchase. Nissan has endeavored to reduce defects by establishing internal indices showing the frequency of defect claims within 3 and 12 months following sales. As a result, it has reduced defects by almost half from levels prior to the launch of this initiative.

All factors that affect CS, not just mechanical faults, are a part of vehicle quality. Nissan sees these factors as issues requiring action and strives to improve quality in these areas.

The J.D. Power Initial Quality Study indicated, for instance, that rear wiper switches on Nissan vehicles were difficult to use because of differences with other manufacturers' models. The sales and service division teamed up with R&D personnel to undertake a cross-functional initiative addressing the issue. This produced a revised instruction manual, as well as enhanced efforts by sales personnel to explain how the switch is used at the time of delivery and consideration by the R&D team of adjusting how rear wipers are operated.

The value that customers expect from vehicles may vary according to their culture, gender, age and personal taste, and can be affected by such market factors as the level of car ownership or climate. Although Nissan uses a set of basic specifications for global design, it also makes adjustments to meet regional needs.

Because adjusting the production process in response to customer dissatisfaction or defects can be difficult once mass production begins, there is a need to incorporate the customer's perspective during the planning and development stages—in other words, "front loading" quality in the early stages of product development. Nissan is making efforts to reduce customer dissatisfaction and defects by substantially expanding the responsibilities of the Chief Quality Engineer, who participates from the product planning stage. Nissan gleans customer perspectives from market information and employee monitors. Priorities are set from the planning and development stages to consider responses that will be reflected in the product. The company confirms quality improvements for each process and examines risk-reduction measures by visualizing potential risks at the planning stage. By advancing all these processes with transparent criteria, Nissan can ensure the high quality of new models from the outset.

### Enhancing Durability

Product life is affected by durability issues that can arise from long vehicle use: molded resin parts changing color or deforming, surface materials becoming abraded, chrome stripping away and material fatigue producing odd noises in the vehicle. Nissan not only obtains data for the two to four years after the initial sale during the warranty period but also conducts quality checks on recovered vehicles actually used by customers and utilizes nondefective parts for the early identification of defects. Analysis of such data contributes to the development of technologies that are more resistant to durability issues. Nissan's aim is to reduce durability quality issues by at least 30% by fiscal 2016, compared to the fiscal 2010 level.

### Working with Suppliers to Improve Product Quality

As Nissan's production network expands worldwide, there is greater risk of problems arising related to quality and supply of parts in the areas of operation. The company works with suppliers to improve quality at all production sites from the parts design stage onward to help ensure product quality.

Nissan is promoting stronger global management for the head offices of its suppliers with global operations and working to enhance its own global quality management. When suppliers fall short of Nissan standards in their production control or quality control during the manufacturing process, the company offers support for their *monozukuri* activities by visiting the shop floor and seeing what is actually happening. Nissan has also prepared checklists based on successful resolution of past issues. The company is implementing various quality-improvement measures by working not only with its direct suppliers but also with its tier-2 suppliers as well.

### Swift Improvement of Quality in Local Markets

Nissan is strengthening direct communication with sales companies and customers to promptly identify and respond to customer dissatisfaction and defects. The Total Customer Satisfaction Function (TCSX) addresses customer dissatisfaction and quality issues based on information from sales companies and the customer call center. It shares the information with the R&D and manufacturing divisions to investigate the causes and come up with countermeasures. The countermeasures are reflected on the production models in the market. In this way, Nissan seeks permanent solutions in order to prevent additional issues.

The global expansion of Nissan's corporate activities has increased the company's exposure to potential customer dissatisfaction and quality issues in many more regions of the world. Nissan established its Field Quality Centers (FQCs) → with the goal of promptly gaining an understanding of quality issues and analyzing the causes. There are now eight FQCs in operation in Japan, Europe, the United States (two locations), Brazil, China, India and South Africa.

Click here for more information on Field Quality Centers.
 website

The centers conduct market quality research and analysis in five phases. First, they recall problem products from the market to clarify the facts and conduct detailed interviews to replicate the defects. Second, they bring suppliers together with the company's R&D and manufacturing personnel to share information, to decide on areas for further investigation and to assign responsibilities.



Based on the findings of the detailed studies, all staff members gather again to scientifically pinpoint the cause of problems and decide on specific countermeasures. These measures are incorporated in future R&D and manufacturing activities and in building new management structures to prevent recurrence of reliability issues or incidents.

### Producing Consistently High-Quality Products Worldwide

Nissan has adopted the 4G Strategies to produce high-quality products globally. These strategies enable Nissan to quickly create optimum production structures for providing consistently high-quality products to customers around the world.

# Fair and Swift Action on Major Quality Issues

Nissan's primary responsibility as a manufacturer is to make every effort to ensure that product issues do not occur in the first place. Another duty is to ensure that vehicles, which are extraordinarily complex industrial products, are manufactured to be as ready as possible for various eventualities. Nissan's approach is to conduct recalls transparently and to handle them fairly and promptly. The decision to conduct a recall is based on the company's compliance with relevant laws and consideration of how the issue may affect customers' safety. When a recall is judged to be necessary, Nissan implements it swiftly, placing top priority on customers' safety and on minimizing disruption to their lives.

Nissan's robust recall decision process has received high praise from the U.S. Department of Transportation as a model for the automotive industry, and has already been implemented at all operation sites worldwide.

# Nissan's 4G Strategies

#### Global Production Engineering Center (GPEC)

The GPEC develops optimized production processes through focused trials and analysis of new vehicles. In addition to dramatically improving quality in the vehicle production preparation stage, it strives to establish quality consistency globally by spreading high quality standards to manufacturing plants in and outside Japan.

### Global Training Centers (GTCs)

Manufacturing quality and productivity depend greatly on the skills of individual workers. To raise these skills to a competitive level in Nissan's plants worldwide, the GTCs carry out training through classroom lectures and skills training activities based on the Nissan Production Way. Graduates of the Master Trainer programs take part in training programs for local staff in regional training centers, effectively passing their skills on to others.

#### Global Packaging Design Center (GPDC)

The GPDC functions as a training center for developing logistics specialists to work at manufacturing bases. Training includes parts packaging design, packaging testing and evaluation methods, CAD and optimum logistics cost management to maintain high quality.

# Global Launching Experts (GLEs)

GLEs provide support in resolving issues related to *monozukuri* (production) that arise in the new vehicle launch phase. Nissan is meeting QCT (quality, cost, time) targets for each new vehicle launch thanks to the evaluations and advice from GLE core members and the support of GLE registered members.

### SALES AND SERVICE QUALITY

While targeting high quality in its vehicles, Nissan works to increase the quality of its sales and service to customers in the buying process. The goal is to exceed customer expectations at all contact points. Through effective management of sales and service quality at sales companies in major national markets around the world, Nissan strives to improve customer satisfaction (CS). Based on the Nissan Sales and Service Way (NSSW) principles, the company's goal is to achieve top-level CS in 16 key national markets including Japan, the United States and major European markets, thereby boosting its brand image worldwide.

#### Customer Sales and Service Evaluation

To deliver top-level sales and service quality, the purchase and service experience of Nissan car owners must be analyzed objectively. Studies are implemented based on third-party surveys in each national market.

Nissan has set J.D. Power's Sales Satisfaction Index (covering such items as delivery process, delivery timing and salesperson) and Customer Service Index (including service quality, vehicle pick-up and service advisor) as internal indicators. In fiscal 2014, Nissan maintained top SSI levels in Japan, China and Mexico, coming in first place in CSI in Japan and Mexico.



## The Nissan Sales and Service Way

Nissan has established the Nissan Sales and Service Way (NSSW) as a set of global guidelines. These aim to improve customer perception of Nissan's brands and products, as well as to increase satisfaction with its sales and marketing activities and after-sales service. The company conducts a range of activities to increase customer satisfaction and to improve sales and service quality based on the NSSW. These activities include dealer training to improve product knowledge, technical capability and customer handling, as well as the provision of guidance to improve dealership operations in response to customer satisfaction surveys. Nissan is also developing personnel and systems to put these improvements into place and to focus its operations even more on customer needs, with care given to feedback collected through call centers and other channels.

Nissan carries out these initiatives globally while keeping in mind differences in cultural conditions and customs across countries and regions. The company strives to provide the best customer service during the purchase and ownership experiences.

# **Enhancing Sales Quality**

Maintaining sales quality requires that customers fully understand the functions of the new vehicles they purchase. Nissan's *monozukuri* and sales divisions work together to create a quick reference guide, in addition to a conventional owner's manual, to provide easy-to-understand instructions on features that have been updated from previous models and on the use of unfamiliar, new technologies. This user's guide is being progressively adopted in the United States, Japan, Europe and Asia.

The primary targets of sales under the Datsun brand, which

was launched in 2014, are customers making new car purchases for the first time. Nissan established dealership standards to ensure that customers will experience the Datsun brand values of Dream, Access and Trust. In India, Indonesia, Russia and South Africa, the four countries where Datsun has been introduced, the company arranges mystery shopping surveys to encourage dealerships to improve their customer treatment in keeping with those standards.

### Boosting Service Quality

For service quality, Nissan places importance on offering highquality repair and maintenance in a swift and precise manner. Nissan has developed and rolled out proprietary training programs and materials to improve the skills of technicians.

In Japan, Nissan fosters highly competent technical staff with an in-house qualification system that requires even higher certification standards than national programs. Nissan is considering optimizing the allocation of highly certified Nissan technicians depending on dealer size, thereby ensuring consistent shop competency. Following Japan, this practice has also started in the North American and European markets.

Nissan also has a global "Train the Trainer" program to deploy technical skills to local technicians. Every year, technical trainers from subsidiaries around the world gather at the Global Training Center in Japan to take part in this program. They return to their countries and pass on technical skills and know-how to local technicians, enabling the provision of high-quality service worldwide. In fiscal 2014, a total of 155 trainers from 29 countries took part in "Train the Trainer" at the Global Training Center.

### Sharing CS Improvement Successes Globally

To improve customer satisfaction levels in all markets, it is essential to enhance sales functions on a global basis as well as to help sales companies in various national markets meet their local needs. Nissan conducts Sales Satisfaction Index (satisfaction with the purchasing experience) and Customer Service Index (satisfaction with repair and maintenance services) surveys in various markets. Regions with high satisfaction levels invariably possess know-how regarding specific approaches and tools, and these best practices are systematized and standardized so they can be applied in regions where customer satisfaction shows room for improvement.

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ENVIRONMENT	SAFETY	PHILANTHROPY	QUALITY	VALUE CHAIN	EMPLOYEES	ECONOMIC CONTRIBUTION	CORPORATE GOVERNANCE & Internal control

Nissan Named Top-Ranked CSI Brand in Mexico for Third Straight Year

Nissan Mexicana (NMEX) continues to maintain its top brand position in Mexico, scoring highest in the Customer Service Index (CSI) for three consecutive years and ranking among the top companies in the Sales Satisfaction Index (SSI). NMEX is reinforcing the fundamentals in customer relations, strengthening its focus on "People," "Process" and "Technology."

NMEX honors outstanding sales consultants and service advisors to boost the motivation of workers at Nissan dealerships, and Loyalty Performance Coordinators (LPCs) are dispatched to enhance sales satisfaction. The LPCs analyze the SSI results and visit dealerships, identifying issues and discussing measures to resolve those issues with the dealers. NMEX shares its best practices within the company and implements follow-up measures.

NMEX has also streamlined a complicated dealer evaluation system so that the program can be operated at lower cost and with greater efficiency. It introduced a management program for bottom performance dealers, whereby dealers with low customer satisfaction scores are followed up on an ongoing basis at the management level.

With regard to technology, NMEX has developed software to assess whether the daily service operations at dealerships meet specified standards. This has enabled consistent assessment that is not subject to the skills of individual consultants. Product presentation quality has been upgraded through the aid of mobile devices that enable more efficient and effective product descriptions.

Nissan will continue to make efforts to give customer experiences that only it can provide and to further enhance customer satisfaction.